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Thailand

Bio-Fuels

Biofuel Crop Survey: Marginal Impact on Food Prices

2008

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Report Highlights:

Ethanol production has increased to 0.8 – 1 million liters/day since the beginning of 2008 due to rising demand for gasohol. Gasohol prices have become significantly competitive with regular gasoline particularly since the introduction of E20 gasohol vehicles at the beginning of 2008.

Despite increased domestic gasohol use, growing ethanol demand is expected to have only a marginal impact on food prices next year. Inputs for tapioca-based ethanol plants should remain cost effective. Demand for tapioca feed-stocks will be met through yield improvements, which are expected to double in the coming years.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Bangkok [TH1]
[TH]

Ethanol production has increased to 0.8 – 1 million liters/day since the beginning of 2008 due to rising demand for gasohol, which has doubled to 10.52 million liters/day. The surge in gasohol consumption reflects attractive prices over regular gasoline and also the introduction of E20 gasohol vehicles since the beginning of 2008. The Government estimates ethanol consumption will reach 2 - 3 million liters/day by 2011 with the E85 gasohol promotion campaign, initiated in June 2008. However, the future success of the E85 policy remains unclear as auto manufacturers have opposed E85 over incompatibility issues with the recent promotion of E20.

Presently, the Government has granted 47 licenses for ethanol production companies with combined production capacity of around 12.3 million liters/day. However, only nine plants are online at a production capacity of 1.6 million liters/day. The majority of these plants are molasses-based ethanol plants with a combined capacity of 1.4 million liters/day. There is only one tapioca-based ethanol plant with production capacity of 130,000 liters/day. As of October 2008, all plants are running at approximately 60 percent of total capacity as Thailand is currently maintaining an ethanol surplus. This surplus is a major concern for 12 new plants under construction. Ethanol investors originally believed the Thai Government would firmly promote ethanol use, possibly making it compulsory. Although demand for ethanol has been growing, investment expectations were mismatched with the true market situation. It will be some time before domestic gasohol demand is properly balanced with existing ethanol production capacity.

Anticipated increases in ethanol production over the next year will boost demand for biofuel inputs, particularly tapioca. The Office of Agricultural Economic (OAE) estimates tapioca production will increase to nearly 30 million tons in MY2008/09 through acreage expansion at the expense of corn cultivation, particularly in the northeast. Domestic corn prices have fallen in recent months while tapioca prices have grown relatively more attractive in response to strong exports of tapioca chips and flour. Meanwhile, the demand for tapioca in ethanol production is estimated at only 0.5 – 1 million tons. Therefore, growing ethanol demand is expected to have only a marginal impact on food prices next year. In the immediate future, tapioca-based ethanol plants should remain cost effective where tapioca feed stock demand will be met through yield improvements. Average yields will likely double as high-yield varieties are currently being developed and farm practices continue to improve.

End of report.